Microwave dollar volume remains high as market broadens

(Continued from page 43)
and "The cost is too high" illustrated their confusion. The cavities of the new ovens are no smaller than those of the compacts already on the market which are selling like gangbusters. The Little Litton is a 0.5-cu.-ft. unit; The Spacemaker II by General Electric is a mid-size 0.8-cu.-ft. model. Installation of either unit necessitates no significant cabinet alterations as installation of a built-in oven would.

Also interesting is the fact that more than a few dealers reported that the units were not selling well—this was before either the Little Litton or Spacemaker II had been shipped to retail floors.

Dealers reported that the average best-selling price for a countertop unit this year is $347.88, meaning that many consumers are not settling for stripped down models but do want some features on their oven.

Thirty-six percent of the survey respondents said that consumers are more interested in features this year over last; 47 percent reported that the interest was about the same. And, dealers don't expect consumers' demands to shift going into 1985. Almost 85 percent of the merchants said that this trend will continue.

The features that topped the consumer's list, said dealers, include touch pad controls, auto defrost, programmability and temperature probe. Features such as auto cook, memory and delay start are not considered "musts" by a lot of customers.

One reason why demand for features may be growing is that there are more replacement purchases being transacted. Microwave owners who bought their ovens in the late 1960's and early 1970's are now reentering the market. And they are shopping for units which far surpass the single-speed models that were available 15 to 20 years ago.

The merchants reported that they expect replacement sales to account for 10.7 percent of their volume this year, compared with 6.5 percent in 1983 and 4.1 percent in 1982.

The number of second oven purchasers is also edging up slightly, perhaps accounting for the increase in sales of compact units which fit well into college dorm rooms, family rooms and summer homes. Dealers report that second oven purchases should account for 2.6 percent of their volume this year. This is in contrast to 1.3 percent in 1983 and 0.8 percent in 1982.

The prime strategy of merchants for moving ovens is to advertise and run promotions frequently. To a lesser extent, some dealers said they use cooking schools to help generate sales. But these are used primarily after the sale to help educate the consumer on his purchase and to maintain dealer/customer ties.

Several merchants also expressed a desire to see more national advertising done by the manufacturers to help pre-sell the consumer on a microwave before he walks into the store.

What is your best-selling price for a countertop microwave oven? (Based on 122 replies)

	Percent of response
Under $200	4.9%
$200 to $299.99	24.6
$300 to $399.99	50.0
$400 to $499.99	18.9
$500 or more	1.6
Average best-selling price (mean): $347.88	

How many different models of countertop microwave ovens do you carry per brand? (Based on 125 replies)

	Percent of response
1 to 2	10.5%
3 to 4	42.0
5 to 6	24.1
7 to 9	11.3
10 to 14	7.3
15 or more	4.8
Average (mean): Six models per brand	

What portion (percent) of the microwave ovens sold in your store(s) are first purchases, replacement purchases or additional purchases? (Based on 104 replies)

	Percent of response		
	1982	1983	Expected 1984
Replacement purchase	4.1%	6.5%	10.7%
Second oven	0.8	1.3	2.6
First oven	95.1	92.2	86.7

How many different brands of countertop microwave ovens do you carry? (Based on 126 replies)

	Percent of response
1	21.9%
2	28.9
3	21.1
4	9.4
5	4.7
6	7.0
7 or more	7.0
Average (mean): three brands	

How important are each of the following microwave oven features to your customers? (Based on 122 replies)

	Percent of response				
	Very important	Moderately important	Somewhat important	Not important	Not indicated
Touch pad controls	48.3%	30.3%	15.6%	3.3%	2.5%
Auto defrost	40.9	29.5	18.9	6.6	4.1
Programmability	27.9	30.3	25.4	12.3	4.1
Temperature probe	23.0	40.2	21.3	5.7	0.8
Auto cook	18.0	31.2	34.4	13.9	2.5
Turntable	15.6	13.9	19.7	44.2	6.6
Memory	7.4	24.6	26.5	25.4	4.1
Delay start	0.0	23.0	39.3	30.3	7.4

Consumers trade up on microwave features

(Continued from page 44)
represents about six to 10 percent of the industry, reported Markov. "It's made up of those upper income consumers who purchased ovens in the late 1960's and early 1970's who are ready now for units with more features than what was available the first time they were in the market. Many of them paid well over $500 for a single-speed oven with 600 watts. They are looking to trade up to features and benefits they will use—not necessarily bells and whistles." The industry estimates that the replacement segment could be around 13 percent in 1985.

She added, "Crucial to the replacement market of the future is the satisfaction today's oven owners derive from their appliance. But all too often, today's consumer just shops for a 'microwave' and doesn't always purchase the oven best suited to her needs."

Reading ads when shopping for the product is not enough education, stated Markov, because the primary thrust is price. "Consumer education has never stopped being important. And as more and more consumers enter the marketplace, education at point of sale should be stepped up, not cut back as is the trend in many retail outlets today."

Suppliers admit there is a lot less "selling" on the retail floor today, noted Markov. Part of the reason is that more and more ovens are being moved by mass merchant outlets which are often the least likely operations to have educated salesmen on the selling floor.

Even so, consumers will continue to purchase microwave ovens because their friends have one, the price is right, and it fits today's lifestyle, she pointed out. "We will continue to see growth in this industry. The compact and mid-size microwave oven categories will continue to garner a larger share of the shipments, at the expense of full-size units. Ovens retailing for $250 and under will provide the most activity at the retail level as manufacturers continue to address what they believe is a largely untapped market of one- and two-person households."

"The 50 percent saturation level should be reached by the end of 1985," Markov said. "It is at this level that the annual growth rate is expected to stabilize or even decline slightly. By 1990, industry experts say, we could reach a saturation level of anywhere between 65 and 80 percent."

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Merchandising

Home and Auto Electronics • Housewares • Major Appliances

THE NATIONAL MAGAZINE FOR HARDGOODS RETAILERS, WHOLESALERS AND DISTRIBUTORS

ACTION FORECAST '85

Retailers Cast Their Votes for Next Year's Fastest Growing and Most Profitable Products

VCR's	Refrigerators	Microwave Cookware
TV's	Microwave Ovens	Vacuum Cleaners
Home Stereo	Clothes Washers	Drip Coffee Makers
Video Cameras	Clothes Dryers	Gas Grills
Car Stereos	Electric Ranges	Metal Cookware

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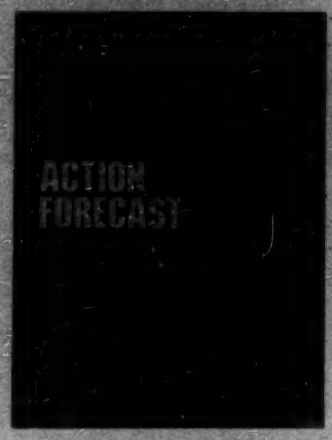

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Retailers predict that VCR's, refrigerators, microwave cookware will lead sales in '85

By Lee Rath, editor

NEW YORK—Where's the action going to be in 1985? What products do retailers of consumer electronics, major appliances and housewares think are going to top the list in terms of sales and profitability?

That's what *Merchandising* set out to determine in its latest Retail Opinion File, Action Forecast '85. And the winners are:

Consumer Electronics: VCR's, televisions, home stereo equipment, video cameras and car stereos lead the pack in the popularity race.

Major Appliances: Refrigerators, microwave ovens and clothes washers take the lead.

Housewares: Here, microwave cookware, vacuum cleaners, drip coffee makers, gas grills and metal cookware head the chart.

When looking at the tables on these two pages, it's important to remember that the first in each column is really a popularity contest. It shows what

portion of the retailers polled listed each particular product among the top few items expected to generate the greatest increase in dollar volume next year.

The second table illustrates what kind of increase the dealers who carry each product expect it will yield in 1985.

Finally, the third shows which products are the most popular among the dealers polled in terms of profitability — which ones are the real winners when it comes to earning a living.

This is true for consumer electronics, major appliances and housewares.

VCR most popular

To no one's surprise, the VCR was the most popular product among all of the consumer electronics retailers polled, with 73.5 percent of them listing it among the expected top five generators of increased dollar volume for 1985. It was followed fairly closely by the television.

After that, however, it was a long way back to the third most popular product, home stereo equipment, even though that category was given a push by the expected popularity of the compact disc player next year.

Although blank videocassettes came in seventh in terms of popularity among all of the retailers, they showed up first among those who carry the product, expected to register an average 44.5 percent increase in dollar volume next year. Next came prerecorded videocassettes, expected to generate a 42.5 percent increase for those who sell them.

Obviously, these two items are riding high on the wave of success created by the VCR, and can be expected to continue showing sizable increases over the next few years as the hardware population continues to grow.

Televisions came in first when the retailers were asked to tell what product they expect to generate the greatest dollar profit in 1985. Nothing else even came close.

It just goes to show that popularity and profitability do not necessarily go hand in hand in the world of consumer electronics. Take the case of the VCR. Although it ranks as the most popular product among all retailers and is expected to generate an average increase in dollar volume of 39.2 cent among those dealers who carry the product, only 18.9 percent said they thought it would produce the greatest dollar profit in 1985.

Optimistic as a whole, the consumer electronics retailers polled said they expect their sales will increase an average of 22.2 percent next year.

In major appliances, most of the retailers polled listed the refrigerator among the top three generators of increased dollar volume for 1985. It was, however, followed closely by the microwave oven.

Although few retailers picked the air conditioner as a producer of big volume increases in 1985, those who do carry the product think it's going to do very well, predicting that the category will turn in an average 34 percent increase in dollar volume, the largest of any product.

The microwave oven, buffeted by competition, is expected to show a 17.5 percent increase in dollar volume at stores offering the category.

How we did it

Statistical matter for this survey was collected and compiled by Selma Book, market research manager, and Matea Esguerra, research associate.

Data was gathered from two groups of retailers: one selling consumer electronics and major appliances and one selling housewares.

On the consumer electronics and major appliances side, 56.9 percent of the 1985 retailers polled described themselves as household appliance stores. Some 34.4 percent said they were radio/TV stores, 20.5 percent were video specialty stores, 15.4 percent were audio/hifi specialty stores, 4.6 percent were housewares/hardware stores, 2.6 percent were discount stores, 1.0 percent were department stores and 1.0 percent described themselves as home and auto stores. They represented a total of 543 retail outlets.

Most of the stores, 82.6 percent, were single-unit companies with the remaining 17.4 percent representing units of chain operations. Expected sales volume for 1984 hit a median of $456,250.

Among the 127 housewares retailers polled, 65.3 percent said they were housewares/hardware stores. Another 18.9 percent said they were department stores, 4.7 percent were discount stores, 3.1 percent were household appliance stores, 2.4 percent were radio/TV stores, 2.4 percent were home center, 0.8 percent were catalog showrooms and 2.4 percent fell in other categories. They represented a total of 3,502 retail outlets.

Again, most of the stores, 75.6 percent, were single-unit companies. However, of the 24.4 percent that were part of a larger operation, four represented chains of 300 units or more. Expected sales volume for 1984 hit a median of $787,750.

In both cases, retailers were polled on a nationwide basis.

Consumer Electronics

Consumer electronics products expected to generate the greatest increase in dollar volume in 1985
(Based on 113 replies)

	Percent of respondents listing product in Top 5
1. Videocassette Recorders	73.5%
2. Televisions	62.8
3. Home Stereo Equipment	31.9
4. Video Cameras	21.2
5. Car Stereos	18.6
6. Projection Televisions	17.7
7. Blank Videocassettes	13.3
8. Portable Audio Equipment	12.4
9-10. Prerecorded Videocassettes	10.6
9-10. Telephones	10.6
11. Computers	8.9
12. Computer Software	3.5

Expected increase in dollar volume for 1985 vs. 1984*

	Number of replies	Average expected % of increase '85 vs. '84
Videocassette Recorders	51	39.2%
Televisions	44	18.8
Home Stereo Equipment	20	18.4
Video Cameras	26	40.2
Car Stereos	18	20.0
Projection Televisions	14	24.6
Blank Videocassettes	19	44.5
Portable Audio Equipment	11	22.5
Prerecorded Videocassettes	8	42.5
Telephones	7	33.6

*Only retailers that carry the product are included in this question

Consumer electronics products expected to generate the greatest dollar profit in 1985 (Based on 122 replies)

	Percent of respondents listing product
Televisions	45.1%
Videocassette Recorders	18.9
Home Stereo Equipment	9.8
Car Stereos	8.2
Satellite Earth Stations*	5.7
Projection Televisions	4.1
Portable Audio Equipment	3.3
Telephones	3.3
Video Cameras	3.3
Prerecorded Videocassettes	2.5
Blank Videocassettes	1.6
Computers	1.6

*Not listed on questionnaire

Expected dollar increase in total consumer electronics products sales in 1985 vs. 1984 (Based on 97 replies)

Average increase expected	22.2%

In terms of profitability, the refrigerator again showed up first. Some 43.2 percent of the retailers listed it as the product expected to generate the greatest dollar profit next year.

And again, competition put the microwave oven down the list in the profitability question, with only 19.3 percent of the dealers saying that they thought it would generate the greatest profit.

Overall, major appliance retailers are predicting an average 11.9 percent increase in sales next year for all products.

Microwave cookware soars

Another product riding on the coattails of a successful piece of hardware is microwave cookware. Among all the housewares retailers polled, 43.5 percent said it would be in the top five generators of the greatest increase in dollar volume in 1985.

The product also rated tops among dealers carrying the product, who said it should turn in a 21.5 percent increase in dollar volume. In terms of profitability, microwave cookware showed up third, with 15.1 percent of the dealers choosing it as the most profitable product.

Another big winner was the vacuum cleaner, picked by 41.3 percent of the dealers to be in the top five. Retailers who sell vacs said they will turn in an average 13.7 percent increase in dollar volume in 1985. The product also came in first in the profitability race, with 24.5 percent of the retailers saying vacs will be their most profitable product next year.

Drip coffee makers, gas grills, metal cookware and fans also rated high in all three categories.

Looking at the group as a whole, housewares retailers are expecting a 9.3 percent across-the-board increase in sales next year.

So there you have it: the winners, the losers and the also-rans. That's how our group of retailers calls it for 1985.

Major Appliances

Major appliances expected to generate the greatest increase in dollar volume in 1985 (Based on 87 replies)

	Percent of respondents listing product in Top 3
1. Refrigerators	63.2%
2. Microwave Ovens	57.5
3. Clothes Washers	44.8
4. Clothes Dryers	26.4
5. Electric Ranges	23.0
6. Gas Ranges	18.4
7. Dishwashers	16.1
8. Freezers	9.2
9. Air Conditioners	5.8

Expected increase in dollar volume for 1985 vs. 1984*

	Number of replies	Average expected % of increase '85 vs. '84
Refrigerators	24	15.6%
Microwave Ovens	30	17.5
Clothes Washers	12	8.6
Clothes Dryers	6	9.8
Dishwashers	8	12.5
Air Conditioners	5	34.0

*Only retailers that carry the product are included in this question

Major Appliances expected to generate the greatest dollar profit in 1985 (Based on 88 replies)

	Percent of respondents listing product
Refrigerators	43.2%
Clothes Washers	34.1
Clothes Dryers	23.9
Microwave Ovens	19.3
Air Conditioners	8.0
Gas Ranges	5.7
Electric Ranges	3.4
Freezers	2.3
Dishwashers	2.3

Expected dollar increase in total major appliance sales in 1985 vs. 1984 (Based on 81 replies)

Average increase expected 11.9%

Housewares

Housewares products expected to generate the greatest increase in dollar volume in 1985 (Based on 46 replies)

	Percent of respondents listing product in Top 5
1. Microwave Cookware	43.5%
2. Vacuum Cleaners	41.3
3. Drip Coffee Makers	32.6
4-5. Gas Grills	30.4
4-5. Metal Cookware	30.4
6. Fans (excluding ceiling)	28.3
7. Clocks	23.9
8. Ceiling Fans	17.4
9. Food Processors	13.6
10-15. Irons (standard)	10.9
10-15. Oil-Filled Heaters	10.9
10-15. Mixers	10.9
10-15. Toaster-Oven/Broilers	10.9
10-15. Toasters	10.9
10-15. Ultrasonic Humidifiers	10.9
16-18. Air Purifiers	6.9
16-18. Shavers	6.7
16-18. Timers	6.7
19. Hand-Held Vacuum Cleaners	6.7
20-22. Curling Irons	6.5
20-22. Hair Dryers	4.4
20-22. Woks (electric)	4.4
23-27. Blenders	4.4
23-27. Blood Pressure Monitors	2.2
23-27. Irons (travel)	2.2
23-27. Scales (digital)	2.2
23-27. Waffle Irons	2.2

Expected increase in dollar volume for 1985 vs. 1984*

	Number of replies	Average expected % increase '85 vs. '84
Microwave Cookware	10	21.5%
Vacuum Cleaners	7	13.7
Drip Coffee Makers	6	11.0
Gas Grills	9	14.0
Metal Cookware	7	9.8
Fans (excluding ceiling)	6	10.8

*Only retailers that carry the product are included in this question

Housewares products expected to generate the greatest dollar profit in 1985 (Based on 53 replies)

	Percent of respondents listing product
Vacuum Cleaners	24.5%
Metal Cookware	20.8
Microwave Cookware	15.1
Fans (excluding ceiling)	9.4
Ceiling Fans	7.6
Clocks	7.6
Coffee Makers	5.7
Gas Grills	5.7
Mixers	5.7
Oil-Filled Heaters	5.7
Blenders	3.8
Blood Pressure Monitors	1.9
Food Processors	1.9
Shavers	1.9
Timers	1.9
Toasters	1.9

Expected dollar increase in total housewares products sales in 1985 vs. 1984 (Based on 80 replies)

Average increase expected 9.3%